

Message Text

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61

ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

AGR-05 L-02 H-01 PA-01 PRS-01 USIA-06 /085 W

----- 047937

R 052310Z MAR 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 9543

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: NA

TAGS: ETRD ECIN XK CS

SUBJECT: RESTRICTIONS ON IMPORTS OF SENSITIVE ITEMS

REF: MANAGUA 0833

SUMMARY: COSTA RICAN SUB-DIRECTOR OF INTEGRATION (MINISTRY OF ECONOMY, COMMERCE, AND INDUSTRY) BELIEVES THAT PROBLEM OF TRADE IN SENSITIVE ITEMS CAN BE SATISFACTORILY RESOLVED IF NICARAGUAN OPPOSITION CAN BE OVERCOME. HE BELIEVES THAT THE COSTA RICAN INDUSTRY HAS REACHED THE POINT WHERE IT CAN COMPETE IN THESE AREAS UNDER A SYSTEM OF FREE TRADE WITHIN THE REGION. END SUMMARY.

1. COSTA RICAN SUB-DIRECTOR OF INTEGRATION, OLMEDO CASTRO, DESCRIBED THE PROBLEM OF REGIONAL TRADE IN TEXTILES, SHOES, AND CLOTHING, THE SO-CALLED SENSITIVE ITEMS, TO AN
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EMBOFF ON MARCH 5, IN THE FOLLOWING MANNER. IN OCTOBER,

1974, NICARAGUA FACED WITH A LARGE REGIONAL TRADE DEFICIT, ESPECIALLY WITH GUATEMALA AND EL SALVADOR, DECIDED UNILATERALLY TO SHUT ITS FRONTIER TO IMPORTS OF CLOTHING, TEXTILES AND SHOES FROM THESE TWO COUNTRIES. AT THE SAME TIME, NICARAGUA ASKED COSTA RICA TO INSTITUTE VOLUNTARY QUOTAS ON EXPORTS OF TEXTILES TO NICARAGUA.

2. AFTER STUDYING THE VOLUME OF REGIONAL TRADE AND CONSULTING WITH ITS TEXTILE PRODUCERS, THE GOCR AGREED TO INSTITUTE VOLUNTARY RESTRAINTS. AN OVERALL RESTRAINT LEVEL WAS ESTABLISHED ON THE BASIS OF AVERAGE EXPORTS OVER THE PERIOD OCTOBER 1973 TO OCTOBER 1974 AND MONTHLY QUOTAS WERE ALLOTTED TO LOCAL PRODUCERS WITHIN THAT OVERALL LEVEL.

3. IN THE MEANTIME, FEARING THAT THE CLOSURE OF THE NICARAGUAN MARKET WOULD RESULT IN A DIVERSION OF TRADE IN SENSITIVE ITEMS FROM EL SALVADOR AND GUATEMALA TO COSTA RICA, THE GOCR REQUESTED THE GOVERNMENTS OF THESE TWO COUNTRIES TO VOLUNTARILY RESTRAIN EXPORTS OF SHOES, CLOTHING AND TEXTILES TO COSTA RICA. AN AGREEMENT TO DO SO WAS REACHED AT THE NOVEMBER, 1974 MEETING OF VICE MINISTERS OF ECONOMY AND IT APPEARED AS IF THE PROBLEM WAS NOW MANAGEABLE.

4. IN DECEMBER, HOWEVER, BOTH EL SALVADOR AND GUATEMALA GREATLY EXCEEDED THE PREVIOUSLY AGREED TO EXPORT LEVELS. COSTA RICA REACTED BY CLOSING ITS FRONTIER TO EXPORTS OF CLOTHING FROM THESE TWO COUNTRIES DURING THE ENTIRE MONTH OF JANUARY. IN RETALIATION, EL SALVADOR CLOSED ITS FRONTIER TO IMPORTS OF CLOTHING FROM COSTA RICA.

5. AS OF THE FIRST OF FEBRUARY, IN ACCORDANCE WITH AN AGREEMENT REACHED BY THE VICE MINISTERS OF ECONOMY, TRADE WAS RESUMED BETWEEN COSTA RICA, SALVADOR AND GUATEMALA, WITH THE LATTER COUNTRIES AGREEING ONCEWNNIWICV VOLUNTARILY RESTRAIN THEIR TRADE IN SENSITIVE ITEMS ON THE BASIS OF FIRMLY ESTABLISHED QUOTAS.

6. SUB-DIRECTOR CASTRO VIEWS THE CURRENT SITUATION OF VOLUNTARY RESTRAINTS AS UNSATISFACTORY AND UNNECESSARY AND LIMITED OFFICIAL USE

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BELIEVES THAT THE REGION SHOULD RETURN TO FREE TRADE IN SENSITIVE ITEMS. HE STATED THAT THE VICE MINISTERS, IN A MEETING TO TAKE PLACE ON MARCH 15, WILL TRY TO ACHIEVE THIS GOAL. ACCORDING TO CASTRO, A CAREFUL EXAMINATION OF THE COSTA RICAN INDUSTRY AND OF REGIONAL TRADE PATTERNS HAS CONVINCED HIM THAT COSTA RICA CAN SUPPORT A RESUMPTION OF FREE TRADE AND COULD PROBABLY ACHIEVE A TRADE BALANCE IN SENSITIVE ITEMS UNDER SUCH A SYSTEM. HE BELIEVES THAT THE

PRESIDENTS DISCUSSED THIS PROBLEM DURING THE JALAPA MEETING
AND AGREED TO RESOLVE IT. CASTRO SEES NICARAGUA AS THE REAL
STUMBLING BLOCK. HE OBSERVED SOMEWHAT BITTERLY THAT FOR
YEARS COSTA RICA PUT UP WITH AN IMBALANCE OF TRADE IN THIS
AREA WITHOUT RECOURSES TO CLOSING ITS FRONTIERS. HE BELIEVES
NICARAGUA'S ACTION UNFAIR AND IS BASED ON A DESIRE TO
BUILD UP A LARGE NATIONAL TEXTILE INDUSTRY.
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Message Attributes

Automatic Decaptioning: X
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Draft Date: 05 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
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Disposition Approved on Date:
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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